

CITY OF LEMMON
AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

CITY OF LEMMON
CITY OFFICIALS
DECEMBER 31, 2012

Mayor:

Neal Pinnow

Governing Board:

Vickie Barnes
John Mattern
Anita Kling
Bryan Peterson
Jill Anderson
Peter Butterfield
Melissa Reede
Garrett Schweitzer

Finance Officer:

Barb Bartell

Attorney:

Shane C. Penfield

CITY OF LEMMON

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CITY OF LEMMON

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WITH OFFICES IN
LEMMON, SOUTH DAKOTA
MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

City Council
City of Lemmon
Lemmon, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lemmon, South Dakota, as of December 31, 2012, and for the year then ended, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 10, 2013, which was adverse because of financial statement deficiencies. Our report includes a reference to other auditors who audited the financial statements of Lemmon Housing and Redevelopment Commission, as described in our report on City of Lemmon's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as items 2012-01 through 2012-04 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

City's Response to Findings

The City of Lemmon's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

July 10, 2013

Kohlmun, Benishok & Anderson, PLLC

CITY OF LEMMON
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2012

PRIOR FEDERAL AUDIT FINDINGS:

2011-01

A material weakness was reported for not maintaining proper fixed asset records to support the amounts reported for general fixed assets, enterprise fixed assets and depreciation expense; therefore, the City is not in compliance with SDCL 5-24-4. This comment has not been corrected and is restated as current audit finding 2012-02.

PRIOR OTHER AUDIT FINDINGS:

2011-02

A material weakness was reported for a lack of segregation of duties for revenues, cash, indebtedness, taxes and other receivables, inventories, payables, capital assets, equity, expenditures and payroll. This condition is restated as current audit finding 2012-01.

2011-03

The City does not have an internal control system designed to provide for the preparation of the annual financial statements in accordance with generally accepted accounting principles (GAAP). As auditors, we were requested to draft the financial statements. This comment has been corrected.

2011-04

A material weakness was reported for not maintaining sufficient inventory records for the governmental activities, business-type activities and each major fund. The City of Lemmon has an inventory listing but it does not contain any values; therefore, the City is not in compliance with SDCL 5-24-2. This comment has not been corrected and is restated as current audit finding 2012-03.

2011-05

No internal control structure to provide for the recording of all necessary material adjustments. This comment has not been corrected and is restated as current audit finding 2012-04.

CITY OF LEMMON
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2012

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

2012-01

Criteria

Internal control can help the City achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting and it can help ensure that the City complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties for revenues, receivables, inventories, payables, indebtedness, capital assets, equity, cash, expenditures and payroll which could result in errors not being found in a timely manner.

Effect

The City of Lemmon has a limited number of employees who prepare all records for revenues, receivables, inventories, payables, indebtedness, capital assets, equity, cash, expenditures and payroll. This is undesirable from an internal control viewpoint, and could result in a loss of control over accounting transactions and errors not being found in a timely manner.

Recommendation

We recommend the City Council take a more active role in their oversight of revenues, receivables, inventories, payables, indebtedness, capital assets, equity, cash, expenditures and payroll.

Corrective Action Plan

The City of Lemmon has determined that it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenues, receivables, inventories, payables, indebtedness, capital assets, equity, cash, expenditures and payroll and accepts the risks involved. The Council is aware of the problem and will attempt to provide compensating controls wherever and whenever possible and practical. The Mayor, Neal Pinnow, is responsible for the corrective action plan for this finding.

2012-02

Criteria

The City of Lemmon is responsible for maintaining proper general fixed assets, enterprise fixed assets, and depreciation records.

Condition Found

A material weakness was reported for not maintaining proper fixed asset records to support the amounts reported for general fixed assets, enterprise fixed assets and depreciation expense; therefore, the City is not in compliance with SDCL 5-24-4.

Effect

This has resulted in diminished controls over fixed assets and can result in misleading information being presented to users of the financial statements.

CITY OF LEMMON
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2012
(Continued)

Recommendation

We recommend general fixed assets, enterprise fixed assets and depreciation records be established and maintained.

Corrective Action Plan

The City of Lemmon is continuing its work on correcting this deficiency. The contact person for this finding is Neal Pinnow, Mayor.

2012-03

Criteria

The City of Lemmon is responsible for maintaining accurate records for amounts reported as inventories for governmental activities, business-type activities and each major fund.

Condition Found

A material weakness was reported for not maintaining sufficient inventory records for the governmental activities, business-type activities and each major fund. The City of Lemmon has an inventory listing but the report does not contain any values; therefore, the City is not in compliance with SDCL 5-24-2.

Effect

This has resulted in diminished controls over inventories and can result in misleading information being presented to users of the financial statements.

Recommendation

We recommend the City Council prepare an inventory listing using the actual cost or the estimated cost at the time of acquisition.

Corrective Action Plan

The City will attempt to complete an accurate inventory listing in the future. The contact person for this finding is Barb Bartell, Finance Officer. The anticipated completion date is June 30, 2013.

2012-04

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements.

CITY OF LEMMON
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2012
(Continued)

Effect

This condition may affect the City's ability to record, process, summarize, and report financial statement data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Corrective Action Plan

The City of accepts the risks associated with this deficiency. The Council is aware of the problem and will attempt to provide compensating controls wherever and whenever possible and practical. The contact person for this finding is Neal Pinnow, Mayor.

Closing Conference

The contents of this report were discussed with Neal Pinnow, Mayor; Barb Bartell, Finance Officer; Annette Dalzell, Assistant Finance Officer; Peter Butterfield, Council Member, Melissa Reede, Council Member; and Garret Schweitzer, Council Member; on May 1, 2013.

KOHLMAN, BIRSCHBACH & ANDERSON, LLP
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INDEPENDENT AUDITORS' REPORT

WITH OFFICES IN
LEMMON, SOUTH DAKOTA
MILLER, SOUTH DAKOTA

City Council
City of Lemmon
Lemmon, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lemmon, South Dakota, as of December 31, 2012, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the Table of Contents. Management has elected to omit the related notes to the financial statements; therefore, we did not audit the related notes.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Lemmon Housing and Redevelopment Commission, which represent 100 percent of the assets, net position, and revenues of the aggregate discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Lemmon, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Governmental and Business-Type Activities

Management has not prepared notes to the financial statements or maintained proper general fixed assets or inventory records in the governmental activities, business-type activities, and each major fund or. Accounting principles

generally accepted in the United States of America require that numerous disclosures be made, fixed assets and inventory be properly recorded, which would affect assets, net position, and expenses of the governmental activities, business-type activities and each major fund. The amount by which this departure would affect the assets, net position and expenses of the governmental activities, business-type activities and each major fund has not been determined.

The City has not prepared notes to the financial statements. As a result, numerous disclosures required by U.S. generally accepted accounting principles are not made a part of these financial statements. The amount by which this departure would affect these financial statements is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Governmental and Business-Type Activities" paragraph, the financial statements referred to previously do not present fairly the financial position of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemmon as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, based on the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component unit of the City of Lemmon as of December 31, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The City has omitted the Management's Discussion and Analysis (MD&A) and the Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, however because of the significance of the matter discussed in the "Basis for Adverse Opinion on Governmental and Business-Type Activities" paragraph, the financial statements referred to above do not present fairly in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities and the changes in financial position. Therefore, we do not express an opinion on the accompanying combining and individual nonmajor fund financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 10, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Kehlman, Scimble & Anderson, LLP

July 10, 2013

CITY OF LEMMON
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	PRIMARY GOVERNMENT			9/30/2012
	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS:				
Cash and cash equivalents	\$ 190,243	\$ 352,767	\$ 543,010	\$ 83,966
Investments	393,611	-	393,611	58,891
Accounts receivable, net	259,456	24,077	283,533	110
Inventories	4,293	-	4,293	1,847
Other assets	3,783	-	3,783	5,483
Restricted Assets:				
Cash and cash equivalents	45,800	41,121	86,921	8,960
Investments	-	500,000	500,000	-
Capital Assets:				
Land, improvements and construction in progress	110,241	-	110,241	74,489
Other capital assets, net of depreciation	<u>1,820,378</u>	<u>2,179,699</u>	<u>4,000,077</u>	<u>1,317,458</u>
TOTAL ASSETS	<u>\$ 2,827,805</u>	<u>\$ 3,097,664</u>	<u>\$ 5,925,469</u>	<u>\$ 1,551,204</u>
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ 13,380
Other current liabilities	551	45,449	46,000	29,068
Deferred revenue	-	-	-	657
Noncurrent Liabilities:				
Due within one year	37,193	-	37,193	28,448
Due in more than one year	<u>43,311</u>	<u>2,097</u>	<u>45,408</u>	<u>620,005</u>
TOTAL LIABILITIES	<u>81,055</u>	<u>47,546</u>	<u>128,601</u>	<u>691,558</u>
NET POSITION:				
Net investment in capital assets	1,866,059	2,179,699	4,045,758	745,966
Restricted for:				
Debt service purposes	7,500	-	7,500	-
Permanently restricted purposes:				
Non-expendable	58,245	-	58,245	-
Other purposes	169,973	500,000	669,973	-
Unrestricted	<u>644,973</u>	<u>370,419</u>	<u>1,015,392</u>	<u>113,680</u>
TOTAL NET POSITION	<u>2,746,750</u>	<u>3,050,118</u>	<u>5,796,868</u>	<u>859,646</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,827,805</u>	<u>\$ 3,097,664</u>	<u>\$ 5,925,469</u>	<u>\$ 1,551,204</u>

CITY OF LEMMON
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating	Capital	Primary Government			9/30/2012
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit
Primary Government:								
Governmental Activities:								
General government	\$ 155,009	\$ 30,311	\$ -	\$ -	\$ (124,698)	\$ -	\$ (124,698)	
Public safety	228,941	9,810	2,320	17,115	(199,696)	-	(199,696)	
Public works	594,482	188,789	81,673	132,485	(191,535)	-	(191,535)	
Health and welfare	10,915	35	-	-	(10,880)	-	(10,880)	
Culture and recreation	173,916	21,396	-	122,500	(30,020)	-	(30,020)	
Conservation and development	269,029	-	-	-	(269,029)	-	(269,029)	
Miscellaneous expenditures	-	48,364	-	-	48,364	-	48,364	
*Interest on long-term debt	<u>1,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,377)</u>	<u>-</u>	<u>(1,377)</u>	
Total Governmental Activities	<u>1,433,669</u>	<u>298,705</u>	<u>83,993</u>	<u>272,100</u>	<u>(778,871)</u>	<u>-</u>	<u>(778,871)</u>	
Business-Type Activities:								
Water	266,416	321,117	-	-	-	54,701	54,701	
Sewer	<u>32,048</u>	<u>72,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,772</u>	<u>40,772</u>	
Total Business-Type Activities	<u>298,464</u>	<u>393,937</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,473</u>	<u>95,473</u>	
Total Primary Government	<u>\$ 1,732,133</u>	<u>\$ 692,642</u>	<u>\$ 83,993</u>	<u>\$ 272,100</u>	<u>(778,871)</u>	<u>95,473</u>	<u>(683,398)</u>	
Component Unit:								
Housing and Redevelopment								
Commission	<u>\$ 383,033</u>	<u>\$ 203,645</u>	<u>\$ 44,015</u>	<u>\$ -</u>	-	-	-	<u>\$ (135,373)</u>
General Revenues:								
Taxes:								
Property taxes					484,335	-	484,335	-
Sales taxes					488,703	-	488,703	-
State shared revenues					15,315	-	15,315	-
Grants and contributions not restricted to specific programs					134,062	-	134,062	7,354
Unrestricted investment earnings					7,139	-	7,139	533
Miscellaneous revenue					<u>109,340</u>	<u>-</u>	<u>109,340</u>	<u>1,245</u>
Total General Revenues					<u>1,238,894</u>	<u>-</u>	<u>1,238,894</u>	<u>9,132</u>
Change in Net Position					460,023	95,473	555,496	(126,241)
Net Position - Beginning					<u>2,286,727</u>	<u>2,954,645</u>	<u>5,241,372</u>	<u>985,887</u>
Net Position - Ending					<u>\$ 2,746,750</u>	<u>\$ 3,050,118</u>	<u>\$ 5,796,868</u>	<u>\$ 859,646</u>
*The City does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.								

*The City does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

**CITY OF LEMMON
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 157,334	\$ 32,909	\$ 190,243
Investments	248,249	145,362	393,611
Taxes receivable - delinquent	23,897	-	23,897
Accounts receivable, net	2,183	-	2,183
Unbilled accounts receivable	12,941	-	12,941
Due from Capital Project Funds	133,307	-	133,307
Due from Special Revenue Funds	16,964	-	16,964
Due from General Fund	-	12,408	12,408
Due from federal government	16,800	104,880	121,680
Due from state government	87,940	10,815	98,755
Inventory of supplies	4,293	-	4,293
Prepaid expenses	3,783	-	3,783
Restricted cash and cash equivalents	45,800	-	45,800
TOTAL ASSETS	<u><u>\$ 753,491</u></u>	<u><u>\$ 306,374</u></u>	<u><u>\$ 1,059,865</u></u>
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Due to General Fund	\$ -	\$ 150,271	\$ 150,271
Due to Special Revenue Funds	12,408	-	12,408
Accrued taxes payable	551	-	551
Deferred revenue	22,172	-	22,172
TOTAL LIABILITIES	<u><u>35,131</u></u>	<u><u>150,271</u></u>	<u><u>185,402</u></u>
FUND BALANCES:			
Nonspendable	8,076	50,169	58,245
Restricted:			
Bambl Petrified Park purposes	-	123,546	123,546
General Parks	43,238	-	43,238
Landfill Building	7,500	-	7,500
Library Expansion	1,869	-	1,869
Playground Equipment	1,320	-	1,320
Assigned:			
Fire Department	90,652		90,652
General Parks	6,000		6,000
Police Department	16,000	-	16,000
Street Department	10,136	-	10,136
Swimming Pool	10,000	-	10,000
TV Association	5,725	-	5,725
Unassigned	517,844	(17,612)	500,232
TOTAL FUND BALANCES	<u><u>718,360</u></u>	<u><u>156,103</u></u>	<u><u>874,463</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 753,491</u></u>	<u><u>\$ 306,374</u></u>	<u><u>\$ 1,059,865</u></u>

CITY OF LEMMON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012

Total Fund Balances - Governmental Funds \$ 874,463

Amounts reported for governmental activities in the statement of net position
are different because:

Capital assets used in governmental activities are not financial resources and therefore
are not reported in the funds. 1,930,619

Long-term liabilities, including bonds payable and accrued leave payable, are not due and
payable in the current period and therefore are not reported in the funds.

Accrued leave	\$ 15,944	
Other long-term debt	<u>64,560</u>	(80,504)

Assets, such as taxes receivable (delinquent) and special assessment receivables (current,
delinquent and deferred), are not available to pay for current period expenditures and
therefore are deferred in the funds.

Property taxes	<u>\$ 22,172</u>	<u>22,172</u>
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Net Position - Governmental Activities \$ 2,746,750

CITY OF LEMMON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes:			
General property taxes	\$ 483,095	\$ -	\$ 483,095
General sales and use taxes	488,703	-	488,703
Amusement taxes	480	-	480
Tax deed revenue	4,181	-	4,181
Penalties and interest on delinquent taxes	3,258	-	3,258
Licenses and Permits	15,837	-	15,837
Intergovernmental Revenue:			
Federal grants	141,934	121,671	263,605
State grants	-	10,815	10,815
State shared revenue:			
Bank franchise tax	6,011	-	6,011
Motor vehicle commercial prorate	2,765	-	2,765
Liquor tax reversion	9,304	-	9,304
Motor vehicle licenses (5%)	15,997	-	15,997
Local government highway and bridge fund	55,351	-	55,351
County shared revenue	7,560	-	7,560
Charges for Goods and Services:			
General government	195	-	195
Public safety	9,568	-	9,568
Highways and streets	750	-	750
Sanitation	184,039	-	184,039
Health	35	-	35
Culture and recreation	21,396	-	21,396
Cemetery	-	4,000	4,000
Fines and Forfeits:			
Court fines and costs	242	-	242
Miscellaneous Revenue:			
Investment earnings	6,088	1,051	7,139
Rentals	14,279	-	14,279
Contributions and donations from private sources	134,062	-	134,062
Liquor operating agreement income	48,364	-	48,364
Other	60,775	-	60,775
TOTAL REVENUE	1,714,269	137,537	1,851,806
EXPENDITURES:			
General Government:			
Executive	57,399	-	57,399
Elections	432	-	432
Financial administration	83,306	-	83,306
Other	13,551	-	13,551

	General Fund	Other Governmental Funds	Total Governmental Funds
Public Safety:			
Police	178,940	-	178,940
Fire	49,508	-	49,508
Public Works:			
Highways and streets	345,386	-	345,386
Sanitation	190,254	-	190,254
Airport	24,388	24,949	49,337
Cemeteries	-	7,697	7,697
Health and Welfare:			
Health	3,915	-	3,915
Home health	1,000	-	1,000
Mental health centers	1,000	-	1,000
Hospitals, nursing homes and rest homes	5,000	-	5,000
Culture and Recreation:			
Recreation	61,072	-	61,072
Parks	71,885	1,771	73,656
Libraries	39,188	-	39,188
Conservation and Development:			
Economic development and assistance (industrial development)	69,000	-	69,000
Economic opportunity	200,029	-	200,029
Debt Service	39,144	-	39,144
Capital Outlay	288,213	110,241	398,454
TOTAL EXPENDITURES	1,722,610	144,658	1,867,268
EXCESS OF REVENUES UNDER EXPENDITURES	(8,341)	(7,121)	(15,462)
OTHER FINANCING SOURCES (USES):			
Transfers in	970	3,867	4,837
Sale of municipal property	40,000	-	40,000
Compensation for loss or damage to capital assets	8,565	-	8,565
Transfers out	(3,867)	(970)	(4,837)
TOTAL OTHER FINANCING SOURCES (USES)	45,668	2,897	48,565
NET CHANGE IN FUND BALANCES	37,327	(4,224)	33,103
FUND BALANCE - BEGINNING	681,033	160,327	841,360
FUND BALANCE - ENDING	<u>\$ 718,360</u>	<u>\$ 156,103</u>	<u>\$ 874,463</u>

CITY OF LEMMON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2012

Net Change in Fund Balances - Total Governmental Funds \$ 33,103

Amounts reported for governmental activities in the statement of activities
are different because:

This amount represents capital asset purchases which are reported as expenditures on the
fund financial statements but increase assets on the government-wide statements. 398,454

Payment of principal on long-term debt is an expenditure in the governmental funds but the
payment reduces long-term liabilities in the statement of net position.

Other long-term debt \$ 37,767 37,767

Governmental funds recognize expenditures for amounts of compensated absences actually
paid to employees with current financial resources during the fiscal year. Amounts of
compensated absences earned by employees are not recognized in the funds. In the
statement of activities, expenses for these benefits are recognized when the employees
earn leave credits.

Vacation leave \$ 2,622 (2,622)

The fund financial statement governmental fund property tax accruals differ from the
government-wide statement property tax accruals in that the fund financial statements
require the amounts to be "available". (6,679)

Change in Net Position of Governmental Activities \$ 460,023

CITY OF LEMMON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Totals
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 208,533	\$ 144,234	\$ 352,767
Accounts receivable, net	<u>18,094</u>	<u>5,983</u>	<u>24,077</u>
Total Current Assets	<u>226,627</u>	<u>150,217</u>	<u>376,844</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	41,121	-	41,121
Restricted investments	-	500,000	500,000
Capital Assets:			
Improvements other than buildings	2,834,199	-	2,834,199
Machinery and equipment	11,350	52,386	63,736
Less: accumulated depreciation	<u>(693,332)</u>	<u>(24,904)</u>	<u>(718,236)</u>
Total Noncurrent Assets	<u>2,193,338</u>	<u>527,482</u>	<u>2,720,820</u>
TOTAL ASSETS	<u><u>\$ 2,419,965</u></u>	<u><u>\$ 677,699</u></u>	<u><u>\$ 3,097,664</u></u>
LIABILITIES:			
Current Liabilities:			
Customer deposits	<u>\$ 45,449</u>	<u>\$ -</u>	<u>\$ 45,449</u>
Total Current Liabilities	<u>45,449</u>	<u>-</u>	<u>45,449</u>
Noncurrent Liabilities:			
Accrued leave payable	<u>1,819</u>	<u>278</u>	<u>2,097</u>
Total Noncurrent Liabilities	<u>1,819</u>	<u>278</u>	<u>2,097</u>
NET POSITION:			
Net invest in capital assets	2,152,217	27,482	2,179,699
Restricted for:			
Equipment repair and/or replacement	-	500,000	500,000
Unrestricted	<u>220,480</u>	<u>149,939</u>	<u>370,419</u>
Total Net Position	<u>2,372,697</u>	<u>677,421</u>	<u>3,050,118</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 2,419,965</u></u>	<u><u>\$ 677,699</u></u>	<u><u>\$ 3,097,664</u></u>

CITY OF LEMMON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2012

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Totals
OPERATING REVENUE:			
Charges for goods and services	\$ 321,117	\$ 72,820	\$ 393,937
TOTAL OPERATING REVENUE	<u>321,117</u>	<u>72,820</u>	<u>393,937</u>
OPERATING EXPENSES:			
Personal services	49,379	8,435	57,814
Other current expense	<u>216,273</u>	<u>23,613</u>	<u>239,886</u>
TOTAL OPERATING EXPENSES	<u>265,652</u>	<u>32,048</u>	<u>297,700</u>
OPERATING INCOME	<u>55,465</u>	<u>40,772</u>	<u>96,237</u>
NONOPERATING EXPENSE:			
Interest expense	<u>(764)</u>	<u>-</u>	<u>(764)</u>
TOTAL NONOPERATING EXPENSE	<u>(764)</u>	<u>-</u>	<u>(764)</u>
CHANGE IN NET POSITION	54,701	40,772	95,473
NET POSITION - BEGINNING	<u>2,317,996</u>	<u>636,649</u>	<u>2,954,645</u>
NET POSITION - ENDING	<u>\$ 2,372,697</u>	<u>\$ 677,421</u>	<u>\$ 3,050,118</u>

CITY OF LEMMON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2012

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers	\$ 322,425	\$ 72,820	\$ 395,245
Cash payments to employees for services	(49,234)	(8,428)	(57,662)
Cash payments to suppliers of goods and services	<u>(216,273)</u>	<u>(23,613)</u>	<u>(239,886)</u>
Net cash provided by operating activities	<u>56,918</u>	<u>40,779</u>	<u>97,697</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of capital assets	(5,363)	-	(5,363)
Interest paid on capital debt	(764)	-	(764)
Principal paid on capital debt	<u>(26,561)</u>	<u>-</u>	<u>(26,561)</u>
Net cash used by capital and related financing activities	<u>(32,688)</u>	<u>-</u>	<u>(32,688)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,230	40,779	65,009
BALANCES - BEGINNING	<u>225,424</u>	<u>103,455</u>	<u>328,879</u>
BALANCES - ENDING	<u>\$ 249,654</u>	<u>\$ 144,234</u>	<u>\$ 393,888</u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:**

Operating income	\$ 55,465	\$ 40,772	\$ 96,237
Change in assets and liabilities:			
Customer deposits	1,308	-	1,308
Accrued leave payable	<u>145</u>	<u>7</u>	<u>152</u>
Net cash provided by operating activities	<u>\$ 56,918</u>	<u>\$ 40,779</u>	<u>\$ 97,697</u>

SUPPLEMENTARY INFORMATION

CITY OF LEMMON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	Bambl Petrified Park Fund	Cemetery Perpetual Care Fund	Airport Fund	Total Nonmajor Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 32,659	\$ 250	\$ -	\$ 32,909
Investments	78,479	66,883	-	145,362
Due from General Fund	12,408	-	-	12,408
Due from federal government	-	-	104,880	104,880
Due from state government	-	-	10,815	10,815
TOTAL ASSETS	<u>\$ 123,546</u>	<u>\$ 67,133</u>	<u>\$ 115,695</u>	<u>\$ 306,374</u>
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Due to General Fund	\$ -	\$ 16,964	\$ 133,307	\$ 150,271
TOTAL LIABILITIES	<u>-</u>	<u>16,964</u>	<u>133,307</u>	<u>150,271</u>
FUND BALANCES:				
Nonspendable	-	50,169	-	50,169
Restricted:				
Bambl Petrified Park purposes	123,546	-	-	123,546
Unassigned	-	-	(17,612)	(17,612)
TOTAL FUND BALANCES	<u>123,546</u>	<u>50,169</u>	<u>(17,612)</u>	<u>156,103</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 123,546</u>	<u>\$ 67,133</u>	<u>\$ 115,695</u>	<u>\$ 306,374</u>

CITY OF LEMMON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2012

	Bambl Petrified Park Fund	Cemetery Perpetual Care Fund	Airport Fund	Total Nonmajor Governmental Funds
REVENUES:				
Intergovernmental Revenue:				
Federal grants	\$ -	\$ -	\$ 121,671	\$ 121,671
State grants	-	-	10,815	10,815
Charges for Goods and Services:				
Cemetery	-	4,000	-	4,000
Miscellaneous Revenue:				
Investment earnings	523	528	-	1,051
TOTAL REVENUE	523	4,528	132,486	137,537
EXPENDITURES:				
Public Works:				
Airport	-	-	135,190	135,190
Cemeteries	-	7,697	-	7,697
Culture and Recreation:				
Parks	1,771	-	-	1,771
TOTAL EXPENDITURES	1,771	7,697	135,190	144,658
EXCESS OF REVENUES UNDER EXPENDITURES	(1,248)	(3,169)	(2,704)	(7,121)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	3,867	-	3,867
Transfers out	(522)	(448)	-	(970)
TOTAL OTHER FINANCING SOURCES (USES):	(522)	3,419	-	2,897
NET CHANGE IN FUND BALANCES	(1,770)	250	(2,704)	(4,224)
FUND BALANCE - BEGINNING	125,316	49,919	(14,908)	160,327
FUND BALANCE - ENDING	\$ 123,546	\$ 50,169	\$ (17,612)	\$ 156,103